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## Russian Federation

## Poultry and Products

# Russian Poultry Production Sees Consistent Growth 2005

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**Report Highlights:**

Russian poultry production is forecast to increase even faster than previously expected in 2005, growing by 12 percent. The poultry quota and high prices on other meats in 2005 will continue to support high producer investment and increasing production over the medium term. Trouble in administering the poultry quota in the first quarter will again lead to less than complete quota fill in 2005.

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Includes PSD Changes: No  
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## Executive Summary

Russian poultry production is forecast to grow even faster than expected in 2005 as the quota and high prices on other meats support significant producer investment. Moreover, trouble in administering the poultry quota in the first quarter will again lead to less than full quota fill in 2005. However, the high domestic prices on meat will likely also benefit imported poultry and keep demand for imports strong.

## Production

Russia's poultry production forecast for 2005 was raised by three percent, to 725,000 MT, compared to the previous report. Poultry production grew thanks to steady investment in production and processing facilities, the rising price of competing meats, and continued introduction of new, processed poultry products. The production forecast for turkey remains same as in the previous report, 17,000 MT.

## Growing Strength of State Unitary Enterprises

Russian poultry producers are mostly represented by facilities of two types of ownership – privately owned and “the State Unitary Enterprises” (SUEs). Being partially or wholly financed by local/regional governments, SUEs promote even stronger state support of domestic producers, including direct subsidization, lowering prices on fuel and electricity, and further restricting imports. They receive preferences from the local governments including lower taxes, limiting competing products from other regions, low-interest loans, and direct investment. Generally these establishments are less efficient than privately owned companies, but represent a growing voice in the industry.

## Feed supplies

Total feed supplies were lower in 2004 in comparison with 2003, but decreasing cattle numbers kept this situation from becoming a crisis. The feed efficiency and purchasing power of Russian poultry producers continues to confer it short-term allocation advantages over other domestic meat sectors.

**Table 1. Feed at Agricultural Organizations as of December 1**

	2004	2002	2003
Feed, mln tons	22.8	26.5	24.0
Including feed grain	6.7	9.4	6.9
Per animal, tons of feed	1.37	1.37	1.34

Source: Federal State Statistics Service

## National/religious types of poultry products

Russia's poultry producers are beginning to diversify poultry production in order to attract more customers. Recently, producers introduced both halal and kosher poultry production methods.

## Consumption

Poultry meat consumption by the Russian customers is increasing, though remains depressed due to the import quota. Stable poultry imports in the second half of 2004, growth of domestic production, and the increased gap between poultry and red meat prices has

positively influenced consumption of poultry products. Unless there are significant changes in the industry structure or import regime, we expect that poultry production will continue to enjoy the top position as the area for new domestic production growth and investment.

## **Trade**

The problems administering the 2004 quota and disease outbreaks dominated the trade of poultry products in 2004 and may be a factor again in 2005. As of January 27, the Russian Federation had not published all the official resolutions for the 2005 quota to start. Thus, for the second year in a row, the Russian poultry quota will be significantly less than the full 12 months. However, the 2005 import forecast was increased slightly because the high prices for other meats should be beneficial to both domestic and imported poultry. For additional information on trade issues, see GAIN reports RS4057, RS4068, and RS5002.

## **Policy**

On January 11, the Russian Government published the resolutions that renew the poultry quota and beef and pork tariff rate quotas (TRQs) for 2005. The poultry quota remains in place for 2005 and its volume will be 1.05 million metric tons (MMT), of which the United States is allotted 771,900 MT. The poultry quota was unchanged in terms of overall volume, country allocation, and administration. Please see GAIN report RS5002 for a full translation of the resolution.

Russian trade policy in general had a significant impact on the poultry and meat markets during 2004. For complete details, reference GAIN report RS4068.

## **Future of Market Protection**

The future of protection for the poultry industry is going to be the largest area of debate in 2005. The current quota ends in April 2006 and the industry is already devising ways to try to influence the government's future actions in prolonging some form of protection. Unlike the beef and pork tariff rate quotas, the poultry quota is a quota based on a safeguard investigation. As such, Russian law provides for only a limited extension if the industry can successfully claim injury from imports. As additional injury from imports seems an unlikely case for such a prospering business, many industry leaders are looking at the two-tier TRQ structure used for beef and pork as a way to continue protection. These TRQs were merely legislated and not based on more formal protective measures resulting from safeguard or antidumping cases. Based on news reports and industry discussions, the poultry industry is likely to push the Russian Government to convert the quota into a TRQ after its three-year mandated period of protection expires. At this point, the government has discussed this issue publicly.

However, at an annual press conference in the Kremlin on December 23, President Vladimir Putin said that care needs to be taken in approaching import quotas. He noted the increase in consumer prices in the second half of 2004, especially for meat and gasoline. "This is a worry," he said. He acknowledged that introducing quotas for poultry imports has led to modern poultry farms and while, "this is a pro, the people (consumers) have paid for it." He stated that the government will continue to support and protect domestic producers from the expansion of imports, but will do so in a way that the "consumer does not suffer." Support will be provided with market methods, including cheap loans and aid in resolving administrative issues, such as taxation.

**Table 2. Moscow Wholesale Poultry Meat Prices, April 2003 – December 2004.**

Date	Exchange Rate, ruble/\$	Domestic chicken			Imported chicken		
		Frozen carcasses	Frozen breast, boneless	Frozen leg quarters	Frozen carcasses	Frozen breast, boneless	Frozen leg Quarters
04/30/2003	31.10	41.77	55.67	44.50	41.90	56.38	34.42
05/30/2003	30.67	43.93	57.62	45.00	43.76	62.17	39.55
06/30/2003	30.35	49.07	59.32	49.50	48.27	73.08	39.77
07/30/2003	30.25	53.55	78.00	50.83	55.78	81.69	41.76
08/30/2003	30.50	59.04	99.67	59.62	59.09	101.00	44.81
09/30/2003	30.61	59.96	108.00	61.09	58.58	107.77	45.45
10/30/2003	29.82	58.77	105.50	57.23	58.21	103.48	47.08
11/30/2003	29.74	57.96	101.00	61.13	56.42	95.08	47.11
12/30/2003	29.25	56.02	93.33	60.63	55.65	88.32	45.39
01/30/2004	28.49	54.96	92.67	57.88	53.98	82.58	45.85
02/29/2004	28.52	54.21	93.38	55.83	53.44	81.87	47.04
03/31/2004	28.49	54.07	84.50	52.50	52.51	80.30	44.96
04/30/2004	28.88	53.43	81.50	51.63	52.14	78.67	44.95
05/30/2004	28.99	53.55	83.00	51.63	51.21	79.70	44.27
06/30/2004	29.03	52.80	82.50	50.32	45.94	84.45	42.94
07/30/2004	29.09	51.43	82.50	50.60	43.51	89.22	43.51
08/30/2004	29.23	50.54	85.83	48.98	41.43	88.65	43.71
09/30/2004	29.22	49.62	90.25	47.82	44.20	89.77	43.76
10/30/2004	28.77	49.45	92.67	52.27	44.26	91.41	43.76
11/30/2004	28.24	49.51	88.08	53.42	45.44	89.72	42.49
12/29/2004	27.78	50.17	90.08	52.24	49.34	89.98	42.28

Source: Russian Institute for Agricultural Market Studies (IKAR)  
Prices are in rubles per kilogram.

### **Russia To Introduce New Voluntary Labeling on July 1**

The Russian Federation Committee on Standards and Metrology recently published voluntary standards to be used for food labeling in Russia. These standards will go into effect officially on July 1, 2005, but many food processing companies have stated that they will begin using them as of January 1, 2005. Though voluntary, these labeling standards can apply to either domestically produced or imported food products. For more details, see GAIN Report RS4065.

### **VAT**

The Russian Government plans to submit an amendment to the value added tax (VAT) section of the tax code in February 2005. It proposes to reduce the VAT from 18 percent to 15-16 percent and at the same time to exclude all exemptions, including those for meat and poultry products, for imported and domestically produced foods. Meat and poultry currently have a lower VAT (10 percent) because on an exemption for "socially important foods."

### **Marketing**

Russia's sophisticated and competitive retail sector is booming thanks to six straight years of strong economic expansion. According to official sources, total retail turnover in 2003 was \$146 billion (including \$68 billion for food retail turnover), although unofficial estimates place

total sales at least 50 percent above this level. It is clear that the expanding market has caught the attention of retailers – both local and foreign chains. Experts forecast growth will peak by 2012, so for U.S. exporters of food products for retail sale, the clock is ticking down. As chains expand, quality becomes more important, an advantage for U.S. products. The growing retail sector in Russia must become a factor in U.S. exporter strategy as the traditional markets, where most U.S. poultry is currently sold, slowly give way to large retailers. This will require re-evaluating what products and packaging will satisfy consumers' demand for quality goods.

According to market experts, per capita monthly income in Russia will keep growing and reach \$600 in Russia and \$1,500 in Moscow by 2012. Per capita income in large Russian cities will increase twofold over the same period of time. This represents a large future growth in consumption of food because of Russia's large population and suppressed demand. For more information about trends in retailing and the new marketing challenges, please reference GAIN reports RS4317 and RS4318.

## PSD Table

Country	Russian Federation					
Commodity	Poultry, Meat, Broiler					
	(1000 MT)(MIL HEAD)					
	2003 USDA Official [Old]	Revised Post Estimate [New] 01/2003	2004 USDA Official [Old]	Estimate Post Estimate [New] 01/2004	2005 USDA Official [Old]	Forecast Post Estimate [New] 01/2005
<b>Market Year Begin</b>						
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	130	130	90	90	60	60
Production	560	560	625	650	705	725
Whole, Imports	92	92	80	110	70	80
Parts, Imports	989	989	850	850	800	880
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	1081	1081	930	960	870	960
TOTAL SUPPLY	1771	1771	1645	1700	1635	1745
Whole, Exports	0	0	0	0	0	0
Parts, Exports	1	1	1	1	1	1
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	1	1	1	1	1	1
Human Consumption	1661	1661	1584	1639	1585	1695
Other Use, Losses	19	19	0	0	0	0
Total Dom. Consumption	1680	1680	1584	1639	1585	1695
TOTAL Use	1681	1681	1585	1640	1586	1696
Ending Stocks	90	90	60	60	49	49
TOTAL DISTRIBUTION	1771	1771	1645	1700	1635	1745

## PSD Table

Country	Russian Federation		Poultry, Meat, Turkey		(1000 MT)(MIL HEAD)	
Commodity	2003 USDA Official [Old]	Revised Post Estimate [New] 01/2003	2004 USDA Official [Old]	Estimate Post Estimate [New] 01/2004	2005 USDA Official [Old]	Forecast Post Estimate [New] 01/2005
<b>Market Year Begin</b>						
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	12	12	15	15	17	17
Whole, Imports	10	10	0	2	5	2
Parts, Imports	104	104	70	75	75	75
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	114	114	70	77	80	77
TOTAL SUPPLY	126	126	85	92	97	94
Whole, Exports	0	0	0	0	0	0
Parts, Exports	0	0	0	0	0	0
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Human Consumption	125	125	84	91	96	93
Other Use, Losses	1	1	1	1	1	1
Total Dom. Consumption	126	126	85	92	97	94
TOTAL Use	126	126	85	92	97	94
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	126	126	85	92	97	94

## Russian Poultry Imports

2004

Quantity (MT)		2002	2003	Jan.	Feb.	Mar	Apr	May	Jun	Jul	Aug	YTD
0207	POULTRY MEAT,OFFAL	1 375 039	1 188 379	34 936	54 813	66 361	97 849	80 397	99 682	100 926	98 822	633 786
020714	CHCK CUT+ED OFL,FRZ	1 056 599	981 664	25 927	45 545	56 274	79 641	65 036	80 632	77 327	81 737	512 120
020712	CHICKEN,WHOLE,FROZN	147 032	90 385	6 674	2 293	5 510	6 104	8 663	10 461	13 990	8 326	62 021
020727	TRKY CUT+ED OFL,FRZ	163 730	108 432	2 123	6 439	3 722	10 526	5 374	7 509	7 847	6 234	49 775
	OTHER	7 677	7 898	212	535	856	1 386	1 295	984	1 721	2 454	9 442

Value (Million USD)		2002	2003	Jan.	Feb.	Mar	Apr	May	Jun	Jul	Aug	YTD
0207	POULTRY MEAT,OFFAL	811	696	22	32	38	57	48	60	62	59	379
020714	CHCK CUT+ED OFL,FRZ	599	554	15	26	31	45	36	46	44	47	289
020712	CHICKEN,WHOLE,FROZN	115	75	6	2	5	5	8	9	12	7	55
020727	TRKY CUT+ED OFL,FRZ	91	62	1	4	2	6	3	4	5	4	30
	OTHER	6	5	0	0	0	1	1	0	1	1	5

0207	POULTRY MEAT,OFFAL	2002	2003	Jan.	Feb.	Mar	Apr	May	Jun	Jul	Aug	YTD
1	United States	748 949	735 318	22 513	39 528	43 550	65 950	52 359	61 299	53 551	59 151	397 901
2	Brazil	295 200	194 053	8 445	3 590	7 949	8 441	16 149	22 708	28 854	24 300	120 436
3	Germany	56 446	53 668	818	2 332	4 516	9 283	5 485	4 866	6 728	6 525	40 553
4	United Kingdom	27 577	23 785	720	72	1 027	529	567	1 356	2 627	2 569	9 468
5	Poland	3 865	18 126	689	1 901	1 871	1 843	1 308	1 323	1 449	2 039	12 424
6	France	91 225	75 336	375	6 346	2 983	7 453	1 872	5 458	4 089	1 564	30 140
7	Belgium	47 864	16 445	660	365	1 416	1 844	1 134	569	1 510	1 454	8 952
8	Netherlands	31 855	6 282	0	40	67	274	0	154	731	747	2 012
9	Canada	21 945	16 390	98	0	151	250	781	993	398	149	2 820
10	Hungary	2 294	1 179	0	20	214	242	3	79	27	81	665

0207	POULTRY MEAT,OFFAL	2002	2003	Jan.	Feb.	Mar	Apr	May	Jun	Jul	Aug	YTD
1	United States	748 949	735 318	22 513	39 528	43 550	65 950	52 359	61 299	53 551	59 151	397 901
2	Brazil	295 200	194 053	8 445	3 590	7 949	8 441	16 149	22 708	28 854	24 300	120 436
3	Germany	56 446	53 668	818	2 332	4 516	9 283	5 485	4 866	6 728	6 525	40 553
4	United Kingdom	27 577	23 785	720	72	1 027	529	567	1 356	2 627	2 569	9 468
5	Poland	3 865	18 126	689	1 901	1 871	1 843	1 308	1 323	1 449	2 039	12 424
6	France	91 225	75 336	375	6 346	2 983	7 453	1 872	5 458	4 089	1 564	30 140
7	Belgium	47 864	16 445	660	365	1 416	1 844	1 134	569	1 510	1 454	8 952
8	Netherlands	31 855	6 282	0	40	67	274	0	154	731	747	2 012
9	Canada	21 945	16 390	98	0	151	250	781	993	398	149	2 820
10	Hungary	2 294	1 179	0	20	214	242	3	79	27	81	665



2004

Quantity (MT)		2002	2003	Jan.	Feb.	Mar	Apr	May	Jun	Jul	Aug	YTD
020714	CHCK CUT+ED OFL,FRZ	1 056 599	981 664	25 927	45 545	56 274	79 641	65 036	80 632	77 327	81 737	512 120
All Other Codes	(LQS & Meat)	901 232	855 233	22 116	44 070	51 553	71 701	62 072	75 972	69 761	74 199	471 443
02071410	MDM	155 367	126 430	3 812	1 475	4 720	7 940	2 964	4 661	7 567	7 538	40 677

2004

Quantity (MT)		2002	2003	Jan.	Feb.	Mar	Apr	May	Jun	Jul	Aug	YTD
020714	CHCK CUT+ED OFL,FRZ	1 056 599	981 664	25 927	45 545	56 274	79 641	65 036	80 632	77 327	81 737	512 120
All Other Codes	(LQS & Meat)	901 232	855 233	22 116	44 070	51 553	71 701	62 072	75 972	69 761	74 199	471 443
02071410	MDM	155 367	126 430	3 812	1 475	4 720	7 940	2 964	4 661	7 567	7 538	40 677

020714 (LQS & parts,excl. MDM)	2002	2003	Jan.	Feb.	Mar	Apr	May	Jun	Jul	Aug	YTD
Mkt. Share (% of Qty.)											
1 United States	80,2%	80,8%	91,8%	87,9%	81,9%	88,2%	80,8%	76,3%	72,8%	75,6%	80,5%
2 Brazil	15,7%	12,9%	2,3%	3,9%	7,8%	3,5%	12,0%	14,5%	19,3%	19,0%	11,6%
3 Poland	0,1%	1,4%	2,1%	3,0%	2,3%	1,6%	1,5%	1,3%	1,5%	2,2%	1,9%
4 Germany	1,1%	2,1%	2,7%	3,9%	4,0%	4,1%	3,7%	2,5%	3,3%	2,2%	3,3%
5 Belgium	0,6%	0,4%	0,7%	0,5%	1,3%	0,8%	0,5%	0,5%	1,5%	0,6%	0,8%
Other	2,3%	2,3%	0,4%	0,7%	2,7%	1,8%	1,5%	4,9%	1,6%	0,4%	1,9%

02071410	MDM	2002	2003	Jan.	Feb.	Mar	Apr	May	Jun	Jul	Aug	YTD
Volume												
1 Germany		25 139	16 986	37	210	1 353	3 481	1 289	1 715	2 557	2 180	12 822
2 Brazil		8 443	11 330	1 423	128	60	169	242	409	960	1 765	5 155
3 United Kingdom		25 415	16 595	13	12	1 027	481	332	882	1 819	1 401	5 968
4 Netherlands		26 705	5 992	0	0	44	74	0	154	731	747	1 749
5 United States		8 345	31 448	1 884	485	678	1 731	656	954	617	725	7 730
Other		61 321	44 079	455	639	1 560	2 004	445	546	882	720	7 252

02071410	MDM	2002	2003	Jan.	Feb.	Mar	Apr	May	Jun	Jul	Aug	YTD
Mkt. Share (% of Qty.)												
1 Germany		16,2%	13,4%	1,0%	14,3%	28,7%	43,8%	43,5%	36,8%	33,8%	28,9%	31,5%
2 Brazil		5,4%	9,0%	37,3%	8,7%	1,3%	2,1%	8,2%	8,8%	12,7%	23,4%	12,7%
3 United Kingdom		16,4%	13,1%	0,3%	0,8%	21,7%	6,1%	11,2%	18,9%	24,0%	18,6%	14,7%
4 Netherlands		17,2%	4,7%	0,0%	0,0%	0,9%	0,9%	0,0%	3,3%	9,7%	9,9%	4,3%
5 United States		5,4%	24,9%	49,4%	32,9%	14,4%	21,8%	22,1%	20,5%	8,2%	9,6%	19,0%
Other		39,5%	34,9%	11,9%	43,3%	33,0%	25,2%	15,0%	11,7%	11,7%	9,6%	17,8%

020727 TRKY CUT+ED OFL,FRZ	2002	2003	Jan.	Feb.	Mar	Apr	May	Jun	Jul	Aug	YTD
<b>Volume</b>											
1 United States	17 599	12 676	331	313	660	992	1 534	2 343	2 156	2 334	10 664
2 United Kingdom	2 117	6 975	707	59	0	0	213	474	807	1 168	3 429
3 France	74 806	46 600	73	5 335	1 348	6 210	1 142	2 891	3 345	1 034	21 378
4 Belgium	22 613	8 140	505	50	359	266	545	111	102	750	2 688
5 Germany	18 801	11 799	140	255	535	1 575	907	581	459	565	5 016
Other	27 793	22 242	365	427	820	1 483	1 033	1 108	979	383	6 599

020727 TRKY CUT+ED OFL,FRZ	2002	2003	Jan.	Feb.	Mar	Apr	May	Jun	Jul	Aug	YTD
<b>Mkt. Share (% of Qty.)</b>											
1 United States	10,7%	7,8%	15,6%	4,9%	17,7%	9,4%	28,5%	31,2%	27,5%	37,4%	21,4%
2 United Kingdom	1,3%	4,3%	33,3%	0,9%	0,0%	0,0%	4,0%	6,3%	10,3%	18,7%	6,9%
3 France	45,7%	28,6%	3,5%	82,9%	36,2%	59,0%	21,2%	38,5%	42,6%	16,6%	43,0%
4 Belgium	13,8%	5,0%	23,8%	0,8%	9,6%	2,5%	10,1%	1,5%	1,3%	12,0%	5,4%
5 Germany	11,5%	7,2%	6,6%	4,0%	14,4%	15,0%	16,9%	7,7%	5,8%	9,1%	10,1%
Other	17,0%	47,2%	17,2%	6,6%	22,0%	14,1%	19,2%	14,8%	12,5%	6,2%	13,3%

020712 CHICKEN,WHOLE,FROZN	2002	2003	Jan.	Feb.	Mar	Apr	May	Jun	Jul	Aug	YTD
<b>Volume</b>											
1 Brazil	132 194	61 485	6 165	1 360	3 553	4 861	7 848	10 331	13 527	8 121	55 766
2 Paraguay	0	0	0	0	0	0	106	107	212	76	501
3 France	8 740	18 860	302	850	1 167	803	480	0	70	64	3 735
4 Germany	1 717	4 117	0	15	196	206	39	3	42	62	562
5 Hungary	422	188	0	0	146	92	3	0	5	4	250
Other	3 960	5 735	208	68	449	142	187	20	133	0	1 207

020712 CHICKEN,WHOLE,FROZN	2002	2003	Jan.	Feb.	Mar	Apr	May	Jun	Jul	Aug	YTD
<b>Mkt. Share (% of Qty.)</b>											
1 Brazil	89,9%	41,3%	92,4%	59,3%	64,5%	79,6%	90,6%	98,8%	96,7%	97,5%	89,9%
2 Paraguay	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	1,2%	1,0%	1,5%	0,9%	0,8%
3 France	5,9%	12,7%	4,5%	37,1%	21,2%	13,1%	5,5%	0,0%	0,5%	0,8%	6,0%
4 Germany	1,2%	2,8%	0,0%	0,7%	3,6%	3,4%	0,5%	0,0%	0,3%	0,7%	0,9%
5 Hungary	0,3%	0,1%	0,0%	0,0%	2,6%	1,5%	0,0%	0,0%	0,0%	0,1%	0,4%
Other	2,7%	3,8%	3,1%	3,0%	8,1%	2,3%	2,2%	0,2%	1,0%	0,0%	1,9%